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Duggan, W.J.

Australia in 1930

[Melbourne]

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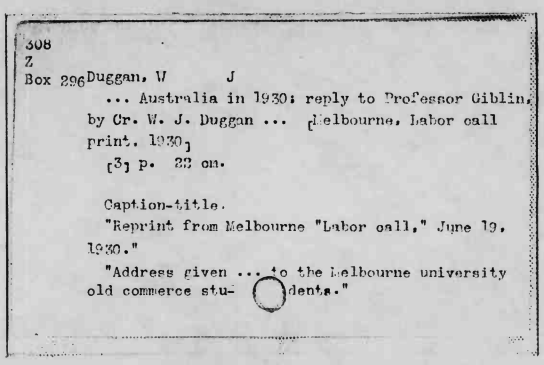

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"Address given ... to the Melbourne university old commerce students."

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Reprint from Melbourne "Labor Call," June 19, 1930.

AUSTRALIA IN 1930

Reply to Professor Giblin

By Cr. W. J. DUGGAN.

Address given by Cr. W. J. Duggan, President A.C.T.U., to the Melbourne University Old Commerce Students. Professor Giblin and Professor Copeland were among those present.

Each year of life brings its lesson for those willing to learn. The year 1930, accompanied as it is with unprecedented unemployment and destitution for thousands of our people, will long be remembered. It is a year, however, which has opened the eyes of the people to the cracks and crevices of our so-called civilisation.

IS CIVILISATION A FAILURE?

If the stupendous application of science portends nothing but inescapable suffering, had we not better frankly confess that civilisation is a failure, and all our boasted social and intellectual progress a mere illusion.

Machinery has multiplied human power a thousand-fold, accelerated motion, and annihilated distance, but in the words of Huxley, "What matters it to the human Prometheus that he has stolen the fires from heaven to be his servant, that the spirits of the earth and air obey him, if the vulture of pauperism is to eternally prey upon his vitals and leave him on the brink of destruction."

Reviewing the present civilisation, he declared "that if there was to be no improvement in the condition of mankind he would welcome the advent of a kindly comet, which would sweep the whole affair away as a desirable consummation."

After reading the speech of Professor Giblin, I felt that there was nothing left but to fold arms and await the crash of a dissolving world. The professor has surveyed the present economic system, and by a great manifestation of erudition attempts to demonstrate by analysis and argument that this system is a final and immutable as the laws of nature itself. History, however, has a happy knack of repeating itself, and out of the past hope springs like a beckoning star.

ANCIENT HISTORY.

In the early Grecian period, Ptolemy, the Greek geographer and astronomer, declared the earth to be the fixed centre of the universe. Upon this theory the Ptolemaic school developed the science of geometry. In their efforts to establish the soundness of their system, they were assisted by the philosophers of their day. For close upon two thousand years this system was accepted, but, despite all the elaborate geometrical demonstrations, somehow the system would not work. Nicholas Copernicus, the Polish astronomer, discovered a new hypothesis. He asserted that the sun was the centre of the planetary space. This hypothesis was developed by Gillileo, Herschel, Kepler, Newton, and others, who have definitely proven the Ptolemaic system to be based upon wrong premises.

The future, I believe, will just as definitely prove the present economic system to be based upon equally false premises. Many of us will have to unlearn much that we have assimiliated, and begin again with first principles.

TWO SIMPLE FACTS.

Nature has provided in abundance all that is necessary for the life and happiness of the human family. The development of modern machinery has so increased the productive power of mankind, that there should be ample time for culture and refinement. These are two simple facts, but unfortunately they do not extend to the great mass of the population, who are always oscillating, pendulum-like, between subsistence and actual want. The reason for this is that the present economic system is based upon production for profit. It regards the worker, not as a human being, but merely as an instrument for the production of individual profit. While this idea prevails, while the gifts of nature are unequally divided, while men measure their material prosperity by the amount of tribute they levy from their fellows, unemployment, with its concomitant evils, will remain with us.

The mainspring of this system is finance. It is controlled at will by banks and financial institutions. They advance or withdraw credit to suit their own purpose, with a callous disregard for the best interests of the people. National well-being is subservient to financial policy. At the present time they have eased down on credit, paralysing the ordinary process of trade by which our population lives from day to day.

To cover up the depredations of these institutions we are told to reduce the cost of production—in other words, to reduce wages. Many well-meaning but unsuspecting persons caught with this "catch-cry." The principal factors governing production costs are accepted as rent, interest, profit and wages.

PRODUCING FOR PROFIT.

On the authority of the Year Book, the proportion of the total wealth produced that goes to wages is about 20 per cent. Our annual wealth production is, in round figures, about 400 millions, so that if we take 80 millions representing wages, there is a balance of 320 millions for rent, interest and profit. We have a population of about six million people, of whom about one-third is engaged in actual production, the larger proportion of the remainder being absorbed in occupations ancillary to production, which may or may not be necessary. They are, however, consumers whose needs are met by those engaged in production. If their wages or consuming power is to be reduced, it is assumed that there will be a greater surplus for export. But we are not troubled with a shortage of exportable goods in our primary industries. The trouble apparently lies in the fact that we cannot sell at a profit the goods already produced. Reducing the wages of our home consumers will not solve that problem.

It is persistently argued, however, that owing to a slump in the prices obtainable for wheat and wool, wages must be reduced to meet the deficiency in income from those sources. There is considerably less labor required in harvesting to-day than thirty years ago. We have a highly developed mechanical and organised system in our wheat areas, which compares more than favorably with any other country in the world.

The total output for Australia in 1928-29 exceeds that of the previous year by 50 million bushels. (The value of the 1927-28 harvest was 32 millions sterling.) If we take the estimated 20 per cent. for wages, it would approximate six million pounds. I am sure nothing like that amount was paid in wages in that industry. Even if it had been, the effect on the selling price would be negligible. Our disadvantage in the world's market must be due to causes other than wages.

WHEAT GROWING.

If we take up a block of land for wheat growing we should, under existing conditions, expect the product to provide us with a living, then interest and sinking fund on our capital outlay. In wheat growing areas we do not see the same class of living as that obtaining in the centres of population; expenditure in that direction is not a serious factor. Therefore, the greater consideration must be interest and sinking fund. This is where the difficulty arises. We endeavor to make the price balance our obligations. In other words, the value of the land on which wheat is grown determines its selling price, whereas the selling price should determine the value of the land.

It is the excessive price paid for land based upon fictitious values which places wheat at a disadvantage in the world's markets. In regard to wool, we find that the estimated value of the 1928-29 production is 70 million pounds. The value of the 1927-28 production was 76 millions, a drop of six millions. In the year 1926-27 the value was 70 millions, as against the previous year of 81½ millions, or a drop of 11½ millions. In that year there was no restriction on credit followed by a general depression, allegedly due to a slump in wool prices. On the whole, the average income on wool hovers in the vicinity of 70 millions yearly. The working cost of production in this industry, as far as it is affected by wages, is infinitesimal, compared to the value of the product. It may be contended that freights are excessive because of the wages paid in the shipping industry. I put it to you that if the captain and all on the ship gave their services free, it would not affect the selling price one iota.

PASTORAL INDUSTRY.

The pastoral industry, like agricultpre, is affected by land values to a far greater extent than by wages. Its position in the world's market is, however, more favorable. With one-sixth of the world's sheep, it produces 25 per cent. of the world's requirements, only 6 per cent. production being used locally. Big profits have accrued to the wool growers, which are not reflected in the wages paid in the industry.

When Mr. W. M. Hughes, as Prime Minister, secured for the growers 2d. per pound more than they had agreed to accept for the season's clip about 1920, they gained a million or so above a price determined by war conditions. In the conditions of sale Mr. Hughes secured a provision that if England disposed of our wool to another country at an enhanced price, a proportion of the enhanced price was to revert to the Australian grower. By this simple arrangement Bawra gained another three-quarters of a million. I have yet to learn that the shearers participated in the distribution of this amount. On the contrary, I have learned that the small men were induced to sell out, and that theamount was divided among a considerably decreased number of growers.

A PLAUSIBLE ARGUMENT.

An idea which is gaining currency, but which is stamped in the mint of falsity, is that by reducing wages and prices we can maintain our present standard at a lower cost. This argument is plausible to a degree, but far from convincing. Let us take the case of a man in receipt of £6 per week, and reduced his income by 50 per cent., with a corresponding reduction in prices. In the suburb in which I live there are hundreds of these men who have paid a deposit ranging from £50 to £100 on a house. The cost of a five-roomed weatherboard house on a block of land 40 by 100 about six years ago would be £600. The selling price, owing to the demand for houses, would be between £750 and £800. The weekly outgoings, including repayments of interest and principal, rates, taxes, insurance and upkeep would be about £2 per week. Would he under the changed conditions be relieved of 50 per cent. of this liability. Indeed he would not. He is more likely to be relieved of the entire liability by having notice of foreclosure served upon him.

There is no salvation along the road of lower wages. Indeed, such a suggestion, if applied in practice, will bring us back to the days of industrial stagnation. The movement of wages in this country clearly demonstrates that a high currency and a rapid circulation is to a nation what a sound heart and a good blood stream is to the individual. In 1906 wages began to move up after years of depression. Trade and business gained an impetus, which resulted in improved standards generally. Then came the war, which saddled us with a burden of 400 million pounds, the interest on which is 20 millions annually. Even this obligation, colossal as it appears, is not beyond our capacity to fulfil, if we have courage enough to break down the barriers which prevent the development of the country's resources.

INEXHAUSTIBLE POTENTIALITIES.

Mr. H. W. Gepp, Chairman of the Development and Migration Commission, in an address before the Public Question Society of the Melbourne University in April last year, said: **"There is a school of thought which delights to declaring its faith in the inexhaustible potentialities of our land and in hinting darkly that the only obstacles in the path of unparalleled progress are human agencies of a perverse and sinister kind."** Without any apology to Mr. Gepp, I belong to that school. Its pupils are increasing rapidly. We believe that we are in the grip of a handful of financiers, who are squeezing the wealth producers, and robbing them of the products of their toil by the tribute they are levying in the form of interest on loans fictitiously created. The only way to destroy the power of these people is to nationalise credit. Any medical student knows that cures are mildest if immediately applied. Blood poisoning may be stopped with the loss of a finger today. It may mean an arm to-morrow or a life the next day, and so it is with the poison in the body politic. The sooner the poison is checked, the sooner will we prevent more serious consequences.

REDUCING LIVING STANDARD.

It is the soundest of political and national economy that goods should be produced as cheaply and expeditiously as possible, yet the application of that principle to industry to-day, as evidenced by machine mass production is leaving workers stranded, depriving them of employment, restricting purchasing power, and creating commercial over-production. The manufacturers cannot sell their stocks because the people have not the necessary means to purchase them. Then man out of work cannot buy, while the man in work reduces his expenditure to the barest necessities. Credit, the medium by which goods and services are exchanged for each other, has suddenly frozen. Is it because we have less wealth in the country than formerly? It is not. Is it because we have lost our capacity to work? It is not. It is part and parcel of a deliberately conceived plan to reduce the living standars in Australia. The recent visit of Mr. Amery, followed by the visit of the Economic Mission, has a greater significance than appeared to exist at the time. These gentlemen, however, can only influence Australia's position abroad. They can please themselves what they do in regard to their investments here. We have our own people to care for and to see that they get the necessaries of life. **This can be done by utilising our own credit.** Those who oppose the nationalisation of credit seek to ridicule the idea by sarcastically referring to printing presses and notes. I see no difference between printing notes and printing cheques. Under a nationalised system, credit would be advanced on genuine security—that is goods—whereas notes are issued on a gold basis, which in reality does not exist. When the notes exceed what the controllers consider the safe margin, credit is stopped, notwithstanding the fact that there is more than sufficient real wealth in the form of goods to exchange for them. Our faith in the magic power of gold is developing into a superstition.

GOLD IS NOT WEALTH.

Is this the "faith, faith, fanatic faith, once wedded fast to some dear falsehood, hugs it to the last," to which Tom Moore refers in "Lalla Rook"? Gold is not wealth; it is merely a medium of exchange. Any other medium will serve the purpose if the people have confidence in its power to exchange for goods, or real wealth.

In conclusion, I can see no permanent cure for unemployment while the present social system remains. Its intensity, however, can be prevented and modified by the restoration of credit. That is the business of those controlling the financial system. If they fail, then the people must, through their Government, take matters into their own hands, and discard the banking institutions as worthless.

I believe that, somewhere hidden in the destiny of the human race, there is a social order which will give expression to the highest altruistic interests of mankind, where men will measure their greatness, not by the gulf that separates them from their fellows, but by the service they can render. Until that social order is discovered, and applied, scientists may grope and philosophers may argue, but the lot of mankind will not materially change from what it is to-day.

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